

POSTED
09/23/04

THE APPLICATION OF
TENNESSEE TELEPHONE SERVICE, LLC
D/B/A FREEDOM COMMUNICATIONS USA, LLC
FOR A CERTIFICATE OF PUBLIC CONVENIENCE
TO PROVIDE LOCAL EXCHANGE AND
INTEREXCHANGE TELECOMMUNICATIONS
SERVICES, FOR FLEXIBLE REGULATORY
TREATMENT, AND FOR ALTERNATIVE
REGULATION

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3. Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.
- A. I have over ten years of experience in the financial services industry. I served as an officer with PFIC Securities Corporation which was purchased during my tenure, and is now Union Planters Financial Services. In May of 2000, I started EruComp, Inc. which hosts a web-based subscription service that gives 3rd thru 8th grade students practice for the year-end tests federally mandated by the No Child Left Behind Act. I received a B.A. from the University of Notre Dame.
4. Q. PLEASE BRIEFLY DESCRIBE YOUR COMPANY'S CORPORATE STRUCTURE.
- A. Freedom is a limited liability company organized under the laws of the State of Tennessee. Freedom is a privately-held company, not affiliated with or a subsidiary of any other company.
5. Q. ARE YOU FAMILIAR WITH THE APPLICATION YOUR COMPANY SUBMITTED TO THIS COMMISSION?
- A. Yes.
6. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
- A. The purpose of my testimony is to present evidence in support of Freedom's Application for competitive local exchange and interexchange authority by demonstrating that Freedom has the ability to provide reliable telecommunication services throughout the State of South Carolina, and by demonstrating why the granting of a Certificate of Public Convenience and Necessity to Freedom is in the public interest.

7. Q. PLEASE DISCUSS THE MANAGERIAL ABILITY OF FREEDOM TO PROVIDE TELECOMMUNICATIONS SERVICES IN SOUTH CAROLINA.

A. In support of Freedom's managerial ability to provide services herein, Freedom submitted a description of the background and experience of its current management team with the Commission as Exhibit C to the Application in this proceeding. Also, my qualifications and experience are set forth on page 1 of this testimony.

8. Q. DESCRIBE FREEDOM'S FINANCIAL ABILITY TO OPERATE AS A TELECOMMUNICATIONS CARRIER.

A. In support of Freedom's financial ability to provide the services sought herein, Freedom filed financial statements with the Commission as Exhibit D to the Application in this proceeding. I have included an updated Balance Sheet and Profit & Loss Statement for Aug. 2004 which is attached as Exhibit 1. You will notice that we turned a profit in our most recent month and anticipate continued profitability in the months ahead. We have spent the last year transitioning our customer base from Resale to UNE-P giving us confidence in our profitability estimates going forward.

9. Q. PLEASE DESCRIBE THE OPERATIONS OF THE COMPANY AND THE SERVICES IT PROPOSES TO OFFER IN SOUTH CAROLINA.

A. Freedom was organized under the laws of the State of Tennessee on February 8, 2000. The Company proposes to offer competitive local exchange telecommunication services throughout the BellSouth service areas and local service bundled with long distance services. Freedom amended its initial application to include a request to provide long distance services since long distance is provided as an option for those customers who want to bundle it with local exchange services. Freedom proposes to offer a variety of competitive local exchange services including basic service, custom-calling features, and intraLATA toll services utilizing incumbent local exchange carrier unbundled network elements. Freedom does not intend to offer interexchange

services on a stand alone basis. We plan to target residential and small business customers (3 lines or less). Customers who utilize our service will benefit from our competitive price and our commitment to using live operators instead of manually prompted recordings for customer service. We do not plan on offering long distance without local, because we have found that more customers are choosing a bundled option when given a choice.

The specific competitive local exchange services Freedom proposes to offer are more fully described in its local exchange and interexchange tariffs. Freedom will be filing its proposed interexchange tariff at the same time this testimony is filed. Freedom's tariffs establish the rates, terms and conditions of the Company's service offerings, including specific service requirements established by the South Carolina Public Service Commission. The Company believes that its services are competitive with similarly-situated service providers.

10. Q. HAS THE COMPANY EXECUTED A STIPULATION WITH THE SOUTH CAROLINA TELEPHONE COALITION?

A. We have just received the petition and proposed stipulation from the Coalition and anticipate executing it since the company intends to offer services initially only in BellSouth's areas. We are seeking certification in all areas of the state except those served by the rural, incumbent carriers who are members of the Coalition.

11. Q. WHAT FACILITIES WILL FREEDOM USE TO PROVIDE ITS PROPOSED LOCAL TELECOMMUNICATIONS SERVICES?

A. Freedom will be relying on the technical network capabilities of its underlying carrier(s) for all network and transport facilities in the provision of access and egress for its local exchange services.

12. Q. HAS YOUR COMPANY BEGUN NEGOTIATIONS WITH INCUMBENT LECS IN SOUTH CAROLINA?
A. Freedom is currently in negotiations for interconnection with BellSouth.
13. Q. HOW WILL FREEDOM BILL FOR ITS SERVICES?
A. Freedom will bill its customers directly.
14. Q. DOES FREEDOM PRESENTLY OFFER OR PROVIDE INTRASTATE SERVICE IN SOUTH CAROLINA?
A. No.
15. Q. DOES THE COMPANY OFFER A DEBIT OR PREPAID CALLING CARD?
A. At this time, the Company will not be offering a debit or prepaid calling card service.
16. Q. HOW WILL FREEDOM MARKET ITS SERVICES?
A. Freedom will market its services through print advertising, direct marketing through establishing relationships with businesses and trade groups.
17. Q. DOES FREEDOM USE TELEMARKETING AS A METHOD FOR SELLING ITS SERVICES?
A. Freedom will telemarket to businesses, but does not plan on telemarketing to residential customers. Attached as Exhibit 2 is a sample telemarketing script used with businesses.

18. Q. HOW ARE CUSTOMER INQUIRIES/DISPUTES HANDLED?
- A. Freedom's customer service department is available to resolve any disputes. Customers may reach the Company's customer service staff via its toll free number (877) 739-9900 or via facsimile at (615) 446-9207, or by letter and the address listed on the bill. Customers may escalate the dispute to the responsible contact person and may, of course, seek Commission intervention if necessary. Freedom's employees embrace a strong customer service orientation that makes meeting customer needs an absolute priority.
19. Q. WHO IS THE CONTACT PERSON AT THE COMPANY THAT THE COMMISSION STAFF SHOULD CONTACT REGARDING CUSTOMER COMPLAINTS OR REGULATORY ISSUES?
- A. I am the contact person that the Commission should contact regarding customer complaints or regulatory issues.
20. Q. IN WHAT STATES HAS FREEDOM RECEIVED AUTHORITY TO PROVIDE SERVICES?
- A. Freedom has authority to provide service in Kentucky and Tennessee.
21. Q. WHERE DOES FREEDOM CURRENTLY HAVE APPLICATIONS PENDING TO PROVIDE SERVICES?
- A. Freedom has local exchange applications pending in Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, and South Carolina.
22. Q. HAS FREEDOM EVER BEEN DENIED CERTIFICATION IN ANOTHER STATE?
- A. No.

23. Q. HAS FREEDOM EVER BEEN SUBJECT TO ANY FEDERAL OR STATE INVESTIGATION REGARDING ITS SERVICES?

A. No.

24. Q. WHY IS THE COMPANY SEEKING EXEMPTIONS FROM USOA, DIRECTORY PUBLISHING, MAINTAINING RECORDS IN SOUTH CAROLINA, AND CERTAIN REPORTING REQUIREMENTS?

A. We respectfully request that we be exempt from any Commission policy that might require a carrier to maintain its financial records in conformance with USOA. As a competitive carrier, we maintain our books in accordance with GAAP; and therefore, do not possess the detailed cost data required by USOA. Freedom requests a waiver of the requirement of publishing a local exchange directory. The Company will arrange with the incumbent carriers for publishing its customers' numbers in the ILEC's directory. Freedom also requests a waiver of the requirements of 26 S.C. Reg. 103-610 that a carrier keep all records required by the Commission's rules and regulations with the State of South Carolina. Since the Company's corporate records are in Tennessee and it does not anticipate maintaining offices or personnel in South Carolina, it would create an additional expense and be unduly burdensome to maintain records in South Carolina. We will have a registered agent in South Carolina and bear any costs associated with the Commission's inspection of our records and books at our headquarters.

25. Q. IN YOUR OPINION, WOULD THE ISSUANCE OF A CERTIFICATE TO FREEDOM BE IN THE PUBLIC INTEREST?

A. Freedom's proposed services will allow customers to obtain competitive services and rates. Customers will benefit from Freedom's industry experience and innovative service offering and billing options. Additionally, an increase in the traffic generated through the provision of the Company's proposed intrastate services over existing facilities will help improve the efficiency

of those facilities and reduce the underlying carriers' costs in provisioning such services. And the State of South Carolina will realize an increase in tax revenue. I believe that Freedom will operate as the very type of responsible, solid telecommunications carrier that the Commission wishes to enter the State of South Carolina.

26. Q. WILL THE SERVICE YOUR COMPANY INTENDS TO PROVIDE MEET THE SERVICE STANDARDS OF THE COMMISSION?

A. Yes.

27. Q. WILL GRANTING YOUR APPLICATION ADVERSELY IMPACT THE AVAILABILITY OF AFFORDABLE LOCAL EXCHANGE SERVICE?

A. By granting Freedom's certificate, the Commission will be fostering greater competition in the local exchange telecommunication service markets. With additional competition, existing providers will strive to offer services at the lowest rates and most innovative features possible to attract new customers and retain existing customer bases.

28. Q. WILL YOUR COMPANY SUPPORT UNIVERSALLY AVAILABLE TELEPHONE SERVICE AT AFFORDABLE RATES AS REQUIRED BY THE COMMISSION?

A. Yes, the Company will support Universal Service.

29. Q. IS FREEDOM REQUESTING RELAXED REGULATORY TREATMENT?

A. Yes. Since we will be a non-dominant, competitive provider of local exchange services, we request that the Commission regulate our Company in the same relaxed fashion authorized in Order No. 98-165 in Docket No. 97-467-C and extended to similarly situated carriers. We understand that this flexible regulatory treatment requires that we file maximum rates for our local service offerings. Local tariff filings would be presumed valid once they are filed subject to the Commission's right to investigate the filing within thirty days.

30. Q. HAS FREEDOM REQUESTED ALTERNATIVE REGULATION OF ITS OPERATOR SERVICE OFFERINGS?

A. Yes. Freedom requests that the Commission regulate these services in accordance with the principles and procedures established for alternative regulation in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C which was approved for AT&T and other similarly situated companies. It is our understanding that maximum rates would be eliminated for these services. In addition, tariff filings are presumed valid upon filing, subject to the Commission's right within seven days to begin an investigation.

We understand that the alternative regulation orders were modified by Order No. 2001-997 in Docket No. 2000-407-C so that rate caps for operator-assisted calls where a consumer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as their toll provider were reestablished. The order imposed a maximum cap of \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls.

31. Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

TTS BALANCE SHEET

August 2004

	<u>Aug 31, 04</u>	
ASSETS		
Current Assets		
Checking/Savings		
Agent Account/Union Planters	1,922.60	
Cash Drawer - Lottery	300.00	
First Farmers & Merchants	175.95	
First Federal Bank	4,540.60	
First National Bank, Pulaski	540.93	
Petty Cash	<u>97.77</u>	
Total Checking/Savings	7,577.85	
Accounts Receivable		
A/R Customer	<u>79,137.02</u>	
Total Accounts Receivable	79,137.02	
Other Current Assets		
Long Distance Deposit	<u>2,319.23</u>	TTS Balance Sheet
Total Other Current Assets	<u>2,319.23</u>	
Total Current Assets	89,034.10	
Fixed Assets		
Automobile (95 Buick)	9,936.95	
Equipment	<u>4,815.60</u>	
Total Fixed Assets	<u>14,752.55</u>	
TOTAL ASSETS	<u><u>103,786.65</u></u>	
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Accounts Payable	<u>45,287.01</u>	
Total Other Current Liabilities	<u>45,287.01</u>	
Total Current Liabilities	45,287.01	
Long Term Liabilities		
Credit Line First Federal	<u>155,634.66</u>	
Total Long Term Liabilities	<u>155,634.66</u>	
Total Liabilities	200,921.67	
Equity		
Contributed Capital	234,832.34	
Opening Bal Equity	-4,022.85	
Retained Earnings	-283,252.38	
Net Income	<u>-44,692.13</u>	
Total Equity	<u>-97,135.02</u>	
TOTAL LIABILITIES & EQUITY	<u><u>103,786.65</u></u>	

TTS
Profit & Loss YTD Comparison
August 2004

	<u>Aug 04</u>	<u>Jan - Aug 04</u>
Income		
Activation	7,291.25	51,643.60
Basic Serv w/Extended Area	0.00	1,158.53
Basic Service	45,959.81	371,877.34
Call Forwarding	0.00	35.00
Call Return	0.00	99.00
Call Waiting	0.00	2,335.00
Caller ID	0.00	3,290.00
Contest	-1,565.03	-3,989.73
Convenience Charge	498.00	2,916.00
Credits to Account	-2,306.35	-12,167.69
Freedom Standard Service	0.00	32,227.95
Inside Wiring	0.00	89.82
Internet	694.17	1,221.52
Late Fee	6,050.00	25,750.00
Line Fees	11,285.10	76,223.89
Long Distance	2,004.65	7,520.84
Lottery Commission	0.00	118.50
Other Income	4.51	369.36
Other Taxes Collected	1,759.17	7,221.38
Referral	-110.00	-280.00
Sales Tax Collected	5,963.93	42,489.12
Speed Dial	0.00	25.00
Three Way Calling	0.00	30.00
Unpublished Number	0.00	350.00
Total Income	<u>77,529.21</u>	<u>610,554.43</u>
Cost of Goods Sold		
Activation COG	0.00	26,315.18
Basic Serv w/Extended Area COG	0.00	3,402.56
Basic Service COG	21,386.16	168,327.09
Call Forwarding COG	0.00	63.57
Call Return COG	0.00	508.22
Call Waiting COG	0.00	7,813.12
Caller ID COG	0.00	5,081.82
Inside Wiring COG	0.00	113.04
Internet COG	458.78	1,363.81
Line Fee COG	5,559.43	48,388.44
Long Distance COG	5,994.74	41,482.62
Sales Tax Payable	3,576.32	35,791.26
Speed Dial COG	0.00	86.14
Three Way Calling COG	0.00	158.80
Unpublished Number COG	0.00	475.05
Total COGS	<u>36,975.43</u>	<u>339,370.72</u>
Gross Profit	40,553.78	271,183.71
Expense		
Advertising		

TTS
Profit & Loss YTD Comparison
August 2004

	<u>Aug 04</u>	<u>Jan - Aug 04</u>
Freedom	4,647.63	31,015.67
Advertising - Other	33.00	236.56
Total Advertising	4,680.63	31,252.23
 Aflac Insurance	 0.00	 56.70
Agent Commission	2,064.00	22,180.00
Bad Debts	6,702.28	49,195.65
Bank Charges	570.30	570.30
Bank Service Charges	0.00	3,304.88
Bellsouth Diskette Analyzer	0.00	70.00
Computer Services	1,427.50	9,952.38
Contests		
Supplies	0.00	1,512.27
Contests - Other	0.00	2,913.72
Total Contests	0.00	4,425.99
 Contract Labor	 70.00	 118.00
Direct Deposit Fees	0.00	25.00
Dues & Subscriptions	49.95	1,737.95
EFT Service Fees	103.20	646.00
Employment Education	0.00	100.00
Gifts	38.41	38.41
Insurance		
Automobile	0.00	200.00
Health	774.80	7,311.38
Life	0.00	244.90
Insurance - Other	62.61	605.89
Total Insurance	837.41	8,362.17
 Interest	 1,039.73	 4,676.68
Internet Service	0.00	1,779.33
Legal	149.84	149.84
Lottery Expense	0.00	290.00
Meals & Entertainment	162.76	531.96
Office Maintenance	16.69	133.52
Payroll	13,677.24	87,976.98
Payroll Taxes	1,056.46	8,665.51
Postage	1,506.80	12,627.64
Professional Services		
Freedom	0.00	41,770.87
Professional Services - Other	0.00	1,592.17
Total Professional Services	0.00	43,363.04
 Rent	 400.00	 3,200.00
Skiptracing	0.00	165.25
Supplies		
Freedom	0.00	1,786.44
Supplies - Other	180.61	676.00
Total Supplies	180.61	2,462.44

TTS
Profit & Loss YTD Comparison
August 2004

	<u>Aug 04</u>	<u>Jan - Aug 04</u>
Taxes & License	2,143.38	8,773.23
Telephone	250.00	2,942.46
Telephone Maintenance	641.54	641.54
Travel - Mileage	295.80	5,460.76
Total Expense	<u>38,064.53</u>	<u>315,875.84</u>
Net Income	<u>2,489.25</u>	<u>-44,692.13</u>

Business Telemarketing Script

Hi. My name is _____ and I am with Freedom Communications USA. The reason I am calling is that we have been very successful in helping small businesses lower their telecommunications costs and I was wondering if you are currently paying more than \$____ per line for your current phone system?

If answer is yes: Great. I think our service could save you some money. I would like to stop by for 5 or 10 minutes later this week and briefly describe our service.

What day is good for you?

END